

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Portsmouth	County Bay
Fiscal Year End December 31, 2007	Opinion Date January 18, 2008	Date Audit Report Submitted to State January 22, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

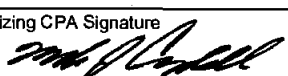
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

January 18, 2008

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Charter Township of Portsmouth, Bay County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Portsmouth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Charter Township of Portsmouth, Bay County, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, of these activities and funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

The Management's Discussion and Analysis report of the Charter Township of Portsmouth covers the Township's financial performance during the year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at December 31, 2007, totaled \$1,360,487.40 for governmental activities and \$4,177,281.85 for business-type activities.

Overall revenues were \$1,403,561.92 (\$784,402.25 from governmental activities and \$619,159.67 from business-type activities). Overall Township activities had a \$222,748.22 increase in net assets in 2007.

Taxable value increased by \$3,737,443.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Water Fund and the Sewer Fund.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

CONDENSED FINANCIAL INFORMATION
December 31, 2007

	Governmental Activities 2006	Governmental Activities 2007	Business-type Activities 2006	Business-type Activities 2007	Total 2006	Total 2007
Current Assets	1 015 478 70	1 008 008 22	1 430 776 17	1 269 412 35	2 446 254 87	2 277 420 57
Capital Assets	<u>827 605 03</u>	<u>788 190 71</u>	<u>7 081 168 00</u>	<u>6 832 352 00</u>	<u>7 908 773 03</u>	<u>7 620 542 71</u>
Total Assets	1 843 083 73	1 796 198 93	8 511 944 17	8 101 764 35	10 355 027 90	9 897 963 28
Current Liabilities	425 438 78	435 711 53	1 106 429 55	898 092 28	1 531 868 33	1 333 803 81
Non-current Liabilities	<u>-</u>	<u>-</u>	<u>3 508 138 54</u>	<u>3 026 390 22</u>	<u>3 508 138 54</u>	<u>3 026 390 22</u>
Total Liabilities	425 438 78	435 711 53	4 614 568 09	3 924 482 50	5 040 006 87	4 360 194 03
Net Assets:						
Invested in Capital Assets	827 605 03	788 190 71	3 573 029 46	3 805 961 78	4 400 634 49	4 594 152 49
Restricted	-	-	324 346 62	371 320 07	324 346 62	371 320 07
Unrestricted	<u>590 039 92</u>	<u>572 296 69</u>	<u>-</u>	<u>-</u>	<u>590 039 92</u>	<u>572 296 69</u>
Total Net Assets	<u>1 417 644 95</u>	<u>1 360 487 40</u>	<u>3 897 376 08</u>	<u>4 177 281 85</u>	<u>5 315 021 03</u>	<u>5 537 769 25</u>
	Governmental Activities 2006	Governmental Activities 2007	Business-type Activities 2006	Business-type Activities 2007	Total 2006	Total 2007
Program Revenues:						
Fees and Charges for services	261 828 56	253 561 65	232 688 11	206 610 13	494 516 67	460 171 78
General Revenues:						
Property Taxes	191 679 99	200 500 26	-	-	191 679 99	200 500 26
State:						
Revenue Sharing	262 555 35	259 652 14	-	-	262 555 35	259 652 14
Interest	32 086 57	33 490 37	83 346 84	77 266 97	115 433 41	110 757 34
Miscellaneous	<u>23 726 10</u>	<u>37 197 83</u>	<u>243 084 00</u>	<u>335 282 57</u>	<u>266 810 10</u>	<u>372 480 40</u>
Total Revenues	<u>771 876 57</u>	<u>784 402 25</u>	<u>559 118 95</u>	<u>619 159 67</u>	<u>1 330 995 52</u>	<u>1 403 561 92</u>
Program Expenses:						
General Government and Administration	221 404 73	213 081 82	-	-	221 404 73	213 081 82
Public Safety	220 865 88	227 976 58	-	-	220 865 88	227 976 58
Public Works	199 438 58	340 970 99	368 916 46	339 253 90	568 355 04	680 224 89
Recreation and Culture	979 99	979 99	-	-	979 99	979 99
Other	<u>58 512 55</u>	<u>58 550 42</u>	<u>-</u>	<u>-</u>	<u>58 512 55</u>	<u>58 550 42</u>
Total Expenses	<u>701 201 73</u>	<u>841 559 80</u>	<u>368 916 46</u>	<u>339 253 90</u>	<u>1 070 118 19</u>	<u>1 180 813 70</u>
Increases in Net Assets	70 674 84	(57 157 55)	190 202 49	279 905 77	260 877 33	222 748 22
Net Assets, July 1	<u>1 346 970 11</u>	<u>1 417 644 95</u>	<u>3 707 173 59</u>	<u>3 897 376 08</u>	<u>5 054 143 70</u>	<u>5 315 021 03</u>
Net Assets, June 30	<u>1 417 644 95</u>	<u>1 360 487 40</u>	<u>3 897 376 08</u>	<u>4 177 281 85</u>	<u>5 315 021 03</u>	<u>5 537 769 25</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund.

Business-Type Funds: The Township has a Water Fund and a Sewer Fund which includes the activity of providing revenue to pay bond debt.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay required amounts on our sewer and water loans as special assessments and debt service are collected.

The sewer bond (\$7,250,000.00) has a principal balance of \$2,135,000.00 with payments scheduled through 2012. Special assessment and debt service revenue appear to be sufficient to cover these bond payments.

1977 Merritt/Portsmouth Water Bond Issue (Portsmouth share \$233,436.00): This issue has a principal balance of \$90,913.00 with payments scheduled through 2016. Debt service revenue appears to be sufficient to cover these payments.

1998 Merritt/Portsmouth Water Bond Issue (Portsmouth share \$1,316,000.00): This issue has a principal balance of \$800,477.22 with payments scheduled through 2018. Special assessment and debt service revenue appears to be sufficient to cover these payments.

Our cash position in both governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are Highways and Streets which incurred expenses of \$185,311.89 and Fire Protection with expenditures of \$105,408.78. Contracted Trash Collection is a significant expenditure each year, \$149,284.10 in 2007. These funds are provided by a special assessment, updated yearly, on all residences.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$76,748.32 of principal on the Water Bonds payable, and \$405,000.00 of principal on the Sewer Bonds payable.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenue it receives. If you have any questions about this report or need additional information, we welcome you to contact the Township office at 989-892-7221.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash on hand	100 00	-	100 00
Cash in bank	603 785 39	409 755 06	1 013 540 45
Taxes receivable	291 209 98	186 197 67	477 407 65
Special assessments receivable	-	648 751 90	648 751 90
Internal balances	70 040 85	(70 040 85)	-
Due from State of Michigan	42 872 00	-	42 872 00
Due from other units	-	94 748 57	94 748 57
Total Current Assets	<u>1 008 008 22</u>	<u>1 269 412 35</u>	<u>2 277 420 57</u>
NON-CURRENT ASSETS:			
Capital Assets	1 291 011 33	10 042 038 00	11 333 049 33
Less: Accumulated Depreciation	<u>(502 820 62)</u>	<u>(3 209 686 00)</u>	<u>(3 712 506 62)</u>
Total Non-current Assets	<u>788 190 71</u>	<u>6 832 352 00</u>	<u>7 620 542 71</u>
TOTAL ASSETS	<u><u>1 796 198 93</u></u>	<u><u>8 101 764 35</u></u>	<u><u>9 897 963 28</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	18 663 18	-	18 663 18
Accrued payroll taxes	266 84	-	266 84
Deferred revenue	<u>416 781 51</u>	<u>898 092 28</u>	<u>1 314 873 79</u>
Total Current Liabilities	<u>435 711 53</u>	<u>898 092 28</u>	<u>1 333 803 81</u>
NON-CURRENT LIABILITIES:			
Contracts payable	<u>-</u>	<u>3 026 390 22</u>	<u>3 026 390 22</u>
Total Non-current Liabilities	<u>-</u>	<u>3 026 390 22</u>	<u>3 026 390 22</u>
Total Liabilities	<u>435 711 53</u>	<u>3 924 482 50</u>	<u>4 360 194 03</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	788 190 71	3 805 961 78	4 594 152 49
Restricted for debt service	-	371 320 07	371 320 07
Unrestricted	<u>572 296 69</u>	<u>-</u>	<u>572 296 69</u>
Total Net Assets	<u>1 360 487 40</u>	<u>4 177 281 85</u>	<u>5 537 769 25</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 796 198 93</u></u>	<u><u>8 101 764 35</u></u>	<u><u>9 897 963 28</u></u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	10 550 96	-	(10 550 96)
General government	202 530 86	79 528 65	(123 002 21)
Public safety	227 976 58	-	(227 976 58)
Public works	340 970 99	174 033 00	(166 937 99)
Recreation and culture	979 99	-	(979 99)
Other	58 550 42	-	(58 550 42)
Total Governmental Activities	<u>841 559 80</u>	<u>253 561 65</u>	<u>(587 998 15)</u>
Business-Type Activities:			
Water and sewer	339 253 90	206 610 13	-
Total Business-Type Activities	<u>339 253 90</u>	<u>206 610 13</u>	-
Total Government	<u>1 180 813 70</u>	<u>460 171 78</u>	<u>(587 998 15)</u>
General Revenues:			
Property taxes			200 500 26
State revenue sharing			259 652 14
Interest			33 490 37
Miscellaneous			<u>37 197 83</u>
Total General Revenues			<u>530 840 60</u>
Change in net assets			(57 157 55)
Net assets, beginning of year			<u>1 417 644 95</u>
Net Assets, End of Year			<u>1 360 487 40</u>

See accompanying notes and accountant's report.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(10 550 96)
-	(123 002 21)
-	(227 976 58)
-	(166 937 99)
-	(979 99)
-	(58 550 42)
-	(587 998 15)
(132 643 77)	(132 643 77)
(132 643 77)	(132 643 77)
(132 643 77)	(720 641 92)
-	200 500 26
-	259 652 14
77 266 97	110 757 34
335 282 57	372 480 40
412 549 54	943 390 14
279 905 77	222 748 22
3 897 376 08	5 315 021 03
<u>4 177 281 85</u>	<u>5 537 769 25</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2007

	<u>General</u>
<u>Assets</u>	
Cash on hand	100 00
Cash in bank	492 383 23
Taxes receivable	402 586 76
Due from other funds	70 066 23
Due from State of Michigan	<u>42 872 00</u>
Total Assets	<u>1 008 008 22</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	18 663 18
Accrued payroll taxes	266 84
Deferred revenue	<u>416 781 51</u>
Total liabilities	<u>435 711 53</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>572 296 69</u>
Total fund equity	<u>572 296 69</u>
Total Liabilities and Fund Equity	<u>1 008 008 02</u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

December 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	572 296 69
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 291 011 33
Accumulated depreciation	<u>(502 820 62)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 360 487 40</u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2007

	<u>General</u>
Revenues:	
Property taxes	200 500 26
Licenses and permits	41 527 28
State revenue sharing	259 652 14
Charges for services	38 001 37
Interest	33 490 37
Special assessments	174 033 00
Miscellaneous	<u>37 197 83</u>
Total Revenues	<u>784 402 25</u>
Expenditures:	
Legislative:	
Township Board	10 550 96
General government:	
Supervisor	17 460 00
Elections	1 512 94
Assessor	20 500 00
Clerk	17 313 61
Board of Review	1 039 27
Treasurer	17 100 00
Building and grounds	50 477 78
Unallocated	66 035 92
Public safety:	
Law enforcement	71 521 89
Fire protection	105 408 78
Inspection	14 106 17
Planning and zoning	9 596 75
Public works:	
Highways and streets	185 311 89
Drains	6 375 00
Sanitation	149 284 10
Other:	
Retirement plan	26 388 42
Insurance	<u>32 162 00</u>
Total expenditures	<u>802 145 48</u>
Excess (deficiency) of revenues over expenditures	(17 743 23)
Fund balance, January 1	<u>590 039 92</u>
Fund Balance, December 31	<u><u>572 296 69</u></u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (17 743 23)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(39 414 32)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (57 157 55)

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	326 489 79	83 265 27	409 755 06
Taxes receivable	52 315 23	133 882 44	186 197 67
Special assessments receivable	486 566 13	162 185 77	648 751 90
Internal balances	-	(70 040 85)	(70 040 85)
Due from other units	-	94 748 57	94 748 57
Total Current Assets	<u>865 371 15</u>	<u>404 041 20</u>	<u>1 269 412 35</u>
NON-CURRENT ASSETS:			
Capital Assets	2 362 505 00	7 679 533 00	10 042 038 00
Less: Accumulated Depreciation	<u>(638 781 00)</u>	<u>(2 570 905 00)</u>	<u>(3 209 686 00)</u>
Total Non-current Assets	<u>1 723 724 00</u>	<u>5 108 628 00</u>	<u>6 832 352 00</u>
TOTAL ASSETS	<u>2 589 095 15</u>	<u>5 512 669 20</u>	<u>8 101 764 35</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Deferred revenue	<u>567 991 85</u>	<u>330 100 43</u>	<u>898 092 28</u>
Total Current Liabilities	<u>567 991 85</u>	<u>330 100 43</u>	<u>898 092 28</u>
NON-CURRENT LIABILITIES:			
Contracts payable	<u>891 390 22</u>	<u>2 135 000 00</u>	<u>3 026 390 22</u>
Total Non-current Liabilities	<u>891 390 22</u>	<u>2 135 000 00</u>	<u>3 026 390 22</u>
Total Liabilities	<u>1 459 382 07</u>	<u>2 465 100 43</u>	<u>3 924 482 50</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	832 333 78	2 973 628 00	3 805 961 78
Restricted for debt service	<u>297 379 30</u>	<u>73 940 77</u>	<u>371 320 07</u>
Total Net Assets	<u>1 129 713 08</u>	<u>3 047 568 77</u>	<u>4 177 281 85</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2 589 095 15</u>	<u>5 512 669 20</u>	<u>8 101 764 35</u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
BUSINESS-TYPE FUNDS
Year ended December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for services:			
Special assessments	<u>50 280 00</u>	<u>156 330 13</u>	<u>206 610 13</u>
Total Operating Revenues	<u>50 280 00</u>	<u>156 330 13</u>	<u>206 610 13</u>
OPERATING EXPENSES:			
Depreciation	<u>56 773 00</u>	<u>192 043 00</u>	<u>248 816 00</u>
Total Operating Expenses	<u>56 773 00</u>	<u>192 043 00</u>	<u>248 816 00</u>
Operating Income (loss)	<u>(6 493 00)</u>	<u>(35 712 87)</u>	<u>(42 205 87)</u>
NON-OPERATING REVENUES (EXPENSES):			
Transfers from Bay Co. Water and Sewer	8 734 00	326 548 57	335 282 57
Interest income	47 295 62	29 971 35	77 266 97
Interest expense	<u>(39 637 90)</u>	<u>(50 800 00)</u>	<u>(90 437 90)</u>
Total Non-operating Revenues (Expenses)	<u>16 391 72</u>	<u>305 719 92</u>	<u>322 111 64</u>
Change in net assets	9 898 72	270 007 05	279 905 77
Net assets, beginning of year	<u>1 119 814 36</u>	<u>2 777 561 72</u>	<u>3 897 376 08</u>
Net Assets, End of Year	<u>1 129 713 08</u>	<u>3 047 568 77</u>	<u>4 177 281 85</u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended December 31, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	<u>50 280 00</u>	<u>156 330 13</u>	<u>206 610 13</u>
Net cash provided (used) by operating activities	<u>50 280 00</u>	<u>156 330 13</u>	<u>206 610 13</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Net increase (decrease) in cash from CTC Fund recognized in deferred revenue	<u>(16 565 75)</u>	<u>(36 614 45)</u>	<u>(53 180 20)</u>
Net cash provided (used) for non-capital financing activities	<u>(16 565 75)</u>	<u>(36 614 45)</u>	<u>(53 180 20)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Cash transferred from Bay Co. W & S	8 734 00	231 800 00	240 534 00
Principal on contracts payable	(76 748 32)	(405 000 00)	(481 748 32)
Interest on contracts payable	<u>(39 637 90)</u>	<u>(50 800 00)</u>	<u>(90 437 90)</u>
Net cash provided (used) by capital and related financing activities	<u>(107 652 22)</u>	<u>(224 000 00)</u>	<u>(331 652 22)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	<u>47 295 62</u>	<u>29 971 35</u>	<u>77 266 97</u>
Net increase (decrease) in cash	(26 642 35)	(74 312 97)	(100 955 32)
Cash beginning of year	<u>353 132 14</u>	<u>157 578 24</u>	<u>510 710 38</u>
Cash End of Year	<u><u>326 489 79</u></u>	<u><u>83 265 27</u></u>	<u><u>409 755 06</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	(6 493 00)	(35 712 87)	(42 205 87)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	<u>56 773 00</u>	<u>192 043 00</u>	<u>248 816 00</u>
Net Cash Provided (Used) in Operating Activities	<u><u>50 280 00</u></u>	<u><u>156 330 13</u></u>	<u><u>206 610 13</u></u>

See accompanying notes and accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Portsmouth, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Portsmouth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Funds

These funds are used to account for assets held as an agent for others.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 2.40 mills, and the taxable value was \$83,544,671.00.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30-60 years
Vehicles and equipment	3-35 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 243 629 36</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>1 171 550 89</u>
Total Deposits	<u>1 271 550 89</u>

The Charter Township of Portsmouth did not have any investments as of December 31, 2007.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 1/1/07	Additions	Deletions	Balance 12/31/07
<u>Governmental Activities:</u>				
Land	212 975 00	-	-	212 975 00
Buildings	299 300 00	-	-	299 300 00
Equipment	778 736 33	-	-	778 736 33
Total	1 291 011 33	-	-	1 291 011 33
Accumulated Depreciation	(463 406 30)	(39 414 32)	-	(502 820 62)
Net Governmental Capital Assets	827 605 03	(39 414 32)	-	788 190 71
<u>Business-Type Activities:</u>				
Water System	2 362 505 00	-	-	2 362 505 00
Sewer System	7 679 533 00	-	-	7 679 533 00
Total	10 042 038 00	-	-	10 042 038 00
Accumulated Depreciation	(2 960 870 00)	(248 816 00)	-	(3 209 686 00)
Net Business-Type Capital Assets	7 081 168 00	(248 816 00)	-	6 832 352 00

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	25 38	Agency	25 38
General	70 040 85	Sewer	70 040 85
General	402 586 76	Current Tax Collection	651 927 14
Sewer	167 914 66		
Water	81 425 72		
Total	721 993 37	Total	721 993 37

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 6 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/07</u>
Contracts payable – 1977 Bay County Water	99 647 00	-	8 734 00	90 913 00
Contract payable – 1998 Bay County Water	868 491 54	-	68 014 32	800 477 22
Contract payable – 1990 Bay County Sewage – Series I	2 155 000 00	-	335 000 00	1 820 000 00
Contract payable – 1990 Bay County Sewage – Series II	<u>385 000 00</u>	<u>-</u>	<u>70 000 00</u>	<u>315 000 00</u>
Total	<u><u>3 508 138 54</u></u>	<u><u>-</u></u>	<u><u>481 748 32</u></u>	<u><u>3 026 390 22</u></u>

Note 7 – Contract Payable – 1977 Bay County Water Supply System (Merritt – Portsmouth)

On May 19, 1977, pursuant to an agreement with the Townships of Portsmouth and Merritt, Bay County, issued \$588,000.00 of its bonds to finance the cost of acquisition of water facilities in the Townships. The Township of Portsmouth is responsible for \$233,436.00, 39.7% of the project, and the Township of Merritt is responsible for \$354,564.00, 60.3% of the project. Under this agreement, the Township becomes liable for its share of the bond issue and interest thereon in the event that revenues derived from charges to the system users are insufficient to pay therefore. As of December 31, 2007, the bonds outstanding amounted to \$229,000.00 plus interest. Portsmouth Township's portion of the bonds outstanding is \$90,913.00 and they are backed by the full faith and credit of the Township.

In addition, the terms of the agreement provide for the Township to be liable for any deficiencies in user charges necessary to cover operation and maintenance of the system, as well as any repairs and replacements or extensions and improvements that are made for the benefit of the Township.

The agreement also provides that the County will own the system, and that the system will be operated by the Board of County Road Commissioners as the County's agent until the lessor of forty years or the retirement of all the bonds and related interest. Upon the occurrence of one of these events, the agreement is terminated and title to the system is transferred to the Townships of Portsmouth and Merritt based on their pro rata portion. The following is the detail of bonds outstanding at December 31, 2007. In addition, the Township is obligated to pay its pro rata share of the interest.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 7 – Contract Payable – 1977 Bay County Water Supply System (Merritt – Portsmouth) (continued)

<u>Bond Numbers</u>	<u>Due Date</u>	<u>Total Principal</u>	<u>Portsmouth Township Portion</u>
360-383	4/1/08	24,000	9,528
384-409	4/1/09	26,000	10,322
410-435	4/1/10	26,000	10,322
436-461	4/1/11	26,000	10,322
462-487	4/1/12	26,000	10,322
488-513	4/1/13	26,000	10,322
514-538	4/1/14	25,000	9,925
539-563	4/1/15	25,000	9,925
564-588	4/1/16	25,000	9,925
Total Outstanding		<u>229,000</u>	<u>90,913</u>

Note 8 – Contract Payable - 1998 Bay County Water Supply System (Merritt-Portsmouth Extension)

On May 1, 1998, the Township entered into an agreement with Bay County to acquire and construct water storage facilities in the Township. Pursuant to the agreement Bay County issued its bonds to finance the cost of the project. Under the agreement the Township pledges its full faith and credit for payment of the bond issue and, interest thereon in the event that revenues derived from charges to the systems users are insufficient to pay therefore. As of December 31, 2007, the Township of Portsmouth's portion of the bonds outstanding amounted to \$800,477.22 plus interest. The following is a detail of bonds outstanding at December 31, 2007. In addition the Township is obligated to pay interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
5/1/08	4.70	68,014.36
5/1/09	4.70	70,630.25
5/1/10	4.70	70,630.25
5/1/11	4.70	70,630.25
5/1/12	4.75	70,630.25
5/1/13	4.75	73,246.19
5/1/14	4.75	73,246.19
5/1/15	4.75	75,862.12
5/1/16	4.75	75,862.12
5/1/17	4.75	75,862.12
5/1/18	4.75	75,863.12
Total Outstanding		<u>800,477.22</u>

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 9 – Contract Payable – 1990 Bay County Sewage Disposal System (Portsmouth Charter Township)

On November 1, 1990, the Township entered into an agreement with Bay County to acquire and construct sanitary sewage facilities in the Township. Pursuant to the agreement Bay County issued \$6,000,000.00 and \$1,250,000.00 of its bonds to finance the cost of the project. Under the agreement the Township pledged its full faith and credit for payment of the bond issues and interest thereon in the event that revenues derived from charges to the systems users are insufficient to pay therefore. As of December 31, 2007, the bonds outstanding amounted to \$2,135,000.00 plus interest. The following is the detail of the bonds outstanding at December 31, 2007. In addition the Township is obligated to pay interest on the bonds.

<u>Due Date</u>	<u>Total Principal</u>
10/1/08	410,000
10/1/09	415,000
10/1/10	425,000
10/1/11	435,000
10/1/12	450,000
Total Outstanding	<u>2,135,000</u>

Note 10 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 11 – Retirement Plan

The Township has a retirement plan whereby annuities are purchased on behalf of Township employees. All employees, with certain exceptions, are eligible for coverage. Payments to the plan are based on the annual earnings of participating employees. Under the plan, the Township pays three-fourths of the contributions and the participating employees pay the remaining one-fourth of contributions. Employees may contribute an additional 10% of their earnings on a voluntary basis. The Township's share of retirement contributions for the year ended December 31, 2007, was \$26,388.42.

Note 12 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 13 – Building Permits

As of December 31, 2007, the Township had building permit revenues of \$17,611.00 and building permit expenses of \$14,106.17.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	195 000 00	195 000 00	200 500 26	5 500 26
Licenses and permits	59 050 00	59 050 00	41 527 28	(17 522 72)
State revenue sharing	240 000 00	240 000 00	259 652 14	19 652 14
Charges for services	35 000 00	35 000 00	38 001 37	3 001 37
Interest	26 000 00	26 000 00	33 490 37	7 490 37
Special assessments	175 000 00	175 000 00	174 033 00	(967 00)
Miscellaneous	31 100 00	31 100 00	37 197 83	6 097 83
Total revenues	<u>761 150 00</u>	<u>761 150 00</u>	<u>784 402 25</u>	<u>23 252 25</u>
Expenditures:				
Legislative:				
Township Board	10 600 00	10 600 00	10 550 96	(49 04)
General government:				
Supervisor	17 600 00	17 600 00	17 460 00	(140 00)
Elections	6 000 00	6 000 00	1 512 94	(4 487 06)
Assessor	21 000 00	21 000 00	20 500 00	(500 00)
Clerk	17 600 00	17 600 00	17 313 61	(286 39)
Board of Review	2 000 00	2 000 00	1 039 27	(960 73)
Treasurer	17 600 00	17 600 00	17 100 00	(500 00)
Building and grounds	54 750 00	54 750 00	50 477 78	(4 272 22)
Unallocated	108 000 00	107 600 00	66 035 92	(41 564 08)
Public safety:				
Law enforcement	75 000 00	75 000 00	71 521 89	(3 478 11)
Fire protection	95 000 00	115 000 00	105 408 78	(9 591 22)
Inspection	34 000 00	34 000 00	14 106 17	(19 893 83)
Planning and zoning	12 000 00	12 000 00	9 596 75	(2 403 25)
Public works:				
Highways and streets	35 000 00	185 400 00	185 311 89	(88 11)
Drains	10 000 00	10 000 00	6 375 00	(3 625 00)
Sanitation	160 000 00	160 000 00	149 284 10	(10 715 90)
Other:				
Retirement plan	30 000 00	30 000 00	26 388 42	(3 611 58)
Insurance	35 000 00	35 000 00	32 162 00	(2 838 00)
Capital outlay	20 000 00	-	-	-
Total expenditures	<u>761 150 00</u>	<u>911 150 00</u>	<u>802 145 48</u>	<u>(109 004 52)</u>
Excess (deficiency) of revenues over expenditures	-	(150 000 00)	(17 743 23)	132 256 77
Fund balance, January 1	<u>540 000 00</u>	<u>540 000 00</u>	<u>590 039 92</u>	<u>50 039 92</u>
Fund Balance, December 31	<u>540 000 00</u>	<u>390 000 00</u>	<u>572 296 69</u>	<u>182 296 69</u>

See accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2007

Township Board:	
Salaries	10 400 00
Miscellaneous	150 96
	<u>10 550 96</u>
Supervisor:	
Salary	17 100 00
Miscellaneous	360 00
	<u>17 460 00</u>
Elections:	
Wages	1 105 94
Supplies	253 23
Miscellaneous	153 77
	<u>1 512 94</u>
Assessor	<u>20 500 00</u>
Clerk:	
Salary	17 100 00
Miscellaneous	213 61
	<u>17 313 61</u>
Board of Review:	
Wages	910 00
Miscellaneous	129 27
	<u>1 039 27</u>
Treasurer:	
Salary	<u>17 100 00</u>
Building and grounds:	
Utilities	12 778 44
Repairs and maintenance	27 300 85
Supplies	444 88
Miscellaneous	9 953 61
	<u>50 477 78</u>
Unallocated:	
Printing and publishing	913 02
Supplies	2 374 68
Clerical assistance	16 124 60
Accounting fees	2 925 00
Audit fees	7 400 00
Legal fees	9 107 65
Payroll taxes	3 006 38
Dues, conventions and conferences	5 608 65
Miscellaneous	18 575 94
	<u>66 035 92</u>
Law enforcement:	
Contracted services	<u>71 521 89</u>

See accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2007

Fire protection:	
Wages	68 724 28
Supplies	17 026 41
Repairs and maintenance	11 572 06
Miscellaneous	8 086 03
	<u>105 408 78</u>
Inspection:	
Building	9 136 00
Plumbing	1 786 17
Electrical	3 184 00
	<u>14 106 17</u>
Planning and zoning:	
Wages	9 371 75
Miscellaneous	225 00
	<u>9 596 75</u>
Highways and streets:	
Wages	4 558 58
Contracted services	800 00
Street lighting	21 273 00
Street repairs and maintenance	158 680 31
	<u>185 311 89</u>
Drains	<u>6 375 00</u>
Sanitation:	
Contracted services	<u>149 284 10</u>
Retirement plan	<u>26 388 42</u>
Insurance	<u>32 162 00</u>
Total Expenditures	<u><u>802 145 48</u></u>

See accountant's report.

CHARTER TOWNSHIP OF PORTSMOUTH
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended December 31, 2007

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/07</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	581 461 32	2 847 970 20	3 024 823 12	404 608 40
Taxes receivable	<u>768 347 04</u>	<u>3 213 907 40</u>	<u>2 997 532 24</u>	<u>984 722 20</u>
Total Assets	<u>1 349 808 36</u>	<u>6 061 877 60</u>	<u>6 022 355 36</u>	<u>1 389 330 60</u>
<u>Liabilities</u>				
Due to other funds	652 939 09	635 383 92	636 395 87	651 927 14
Due to other units	<u>696 869 27</u>	<u>2 428 670 56</u>	<u>2 388 136 37</u>	<u>737 403 46</u>
Total Liabilities	<u>1 349 808 36</u>	<u>3 064 054 48</u>	<u>3 024 532 24</u>	<u>1 389 330 60</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>20 30</u>	<u>48 795 84</u>	<u>48 790 76</u>	<u>25 38</u>
<u>Liabilities</u>				
Due to other funds	20 30	46 484 86	46 479 78	25 38
Due to other units	<u>-</u>	<u>2 310 98</u>	<u>2 310 98</u>	<u>-</u>
Total Liabilities	<u>20 30</u>	<u>48 795 84</u>	<u>48 790 76</u>	<u>25 38</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in bank	581 481 62	2 896 766 04	3 073 613 88	404 633 78
Taxes receivable	<u>768 347 04</u>	<u>3 213 907 40</u>	<u>2 997 532 24</u>	<u>984 722 20</u>
Total Assets	<u>1 349 828 66</u>	<u>6 110 673 44</u>	<u>6 071 146 12</u>	<u>1 389 355 98</u>
<u>Liabilities</u>				
Due to other funds	652 959 39	681 868 78	682 875 65	651 952 52
Due to other units	<u>696 869 27</u>	<u>2 430 981 54</u>	<u>2 390 447 35</u>	<u>737 403 46</u>
Total Liabilities	<u>1 349 828 66</u>	<u>3 112 850 32</u>	<u>3 073 323 00</u>	<u>1 389 355 98</u>

See accountant's report.

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

January 18, 2008

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

We have audited the financial statements of the Charter Township of Portsmouth for the year ended December 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Portsmouth in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2007.

To the Township Board
Charter Township of Portsmouth
Bay County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants